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Drug Industry Seeks Ways to Capitalize on Election Success

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WASHINGTON, Nov. 20 — Having spent more than \$30 million to help elect their allies to Congress, the major drug companies are devising ways to capitalize on their electoral success by securing favorable new legislation and countering the pressure that lawmakers in both parties feel to lower the cost of prescription drugs, industry officials say.

The industry's hand appears stronger now than at any other time in recent years, a result of its large donations to political parties and candidates and millions of dollars spent on television advertising by industry-financed groups. The money was spent overwhelmingly on behalf of Republicans, who now control both houses of Congress.

Executives of the major drug manufacturers met last week at the Westfield International Conference Center, near Dulles International Airport in Northern Virginia, to plan ways to turn that influence into legislative victories.

The executives included Robert Essner, president of Wyeth; Peter R. Dolan, chairman of Bristol-Myers Squibb; Sidney Taurel, chairman of Eli Lilly; and Raymond V. Gilmartin, chairman of Merck. They discussed specific ways to leverage their investment in this year's elections to advance their agenda on Capitol Hill, participants said.

The meeting was described by an industry lobbyist as a "strategic planning retreat" and "deep philosophical conversations about our message for 2003." A pervasive theme was how to block proposals that could erode profits by limiting drug prices or making it easier for people to buy low-cost generic versions of brand-name medicines.

Drug industry executives who attended the conference, put on by the industry's main lobbying arm, the Pharmaceutical Research and Manufacturers of America, said they were delighted with the election results, yet cautious and apprehensive, given the pressure that Republicans as well as Democrats face from voters demanding lower drug prices.

"Sure, we will have more access," one executive said. "Our hand is stronger because of the election results, but who knows how much stronger it really is."

Already, industry executives have been encouraged by a recent move to insert a provision in the domestic security bill limiting the legal liability of vaccine manufacturers like Eli Lilly. On Tuesday, several senators from both parties said Republican leaders had promised to alter the provision next year, so it would apply only to vaccines made in the future.

But today, aides to Representative Tom DeLay, the incoming House majority leader, said Mr. DeLay had agreed only to consider such proposals. Aides to several Republican senators troubled by the

provision said they were confident that the deal would stand.

Senator Byron L. Dorgan, Democrat of North Dakota, a frequent drug company critic, said: "With the election, they certainly have more friends in Congress. They should be feeling their oats these days."

The pharmaceutical industry topped the Fortune 500 list of the most profitable industries, providing investors with an 18.5 percent return on revenues last year. But many drug companies report sagging profits in 2002.

The industry's No. 1 goal is to shape legislation that both parties advocate to provide prescription benefits to the 40 million elderly and disabled people in the Medicare program. What the industry fears most is price controls or any federal effort to establish a list of preferred drugs that leaves out other medications.

Democrats want to give the government a large role in managing Medicare drug benefits, while Republicans would rely more on competing private health plans, insurance companies and pharmaceutical benefits managers.

The industry is also fighting legislation that would speed the approval and marketing of generic drugs. The Senate passed such a bill in July, with support from 49 Democrats and 28 Republicans, but it died in the House.

So far, most Republicans have backed the brand-name drug industry in its battle with generic drug makers. But brand-name drug makers worry that the pressure to limit drug spending, and the cost of Medicare drug benefits, will lead more Republicans to promote the use of generic drugs.

The industry's agenda also includes these items:

¶ Drug companies adamantly oppose legislation making it easier for consumers, pharmacists and wholesalers to import drugs from Canada, where prices are usually lower. Such imports could endanger public health, they say.

¶ Drug makers oppose Congressional efforts to limit or discourage drug advertising on television and in newspapers and magazines. Drug makers say such advertisements convey useful information, but critics say they contribute to explosive growth in drug spending.

¶ Many pharmaceutical companies want to limit damages in lawsuits filed by people who say they have been injured by the use of certain drugs. Many drug makers have been named as defendants in class action suits.

Representative Rob Portman of Ohio, part of the House Republican leadership team, said, "There is a consensus now in Washington, not just in the House but in the Senate and at the White House, that we need to provide seniors with a prescription drug benefit under Medicare."

On Oct. 21, President Bush proposed a regulation to get generic drugs to the market faster. Mr. Portman said, "It's possible we could see legislation there as well," to codify the president's proposal, or something like it.

Over all, the pharmaceutical and health products industry gave about \$20 million this year to House and Senate campaigns and national political parties, with three-fourths of the money going to Republican

candidates and party committees, according to the nonpartisan Center for Responsive Politics. Top donors included Eli Lilly, Bristol-Myers Squibb, Pfizer and GlaxoSmithKline.

While those contributions put the industry among the largest donors, the totals actually understate its influence in Washington. In the last six years, according to Public Citizen, the group founded by Ralph Nader, the industry has spent close to \$500 million on lobbying, including 600 lobbyists that includes about two dozen former members of Congress.

The industry has directed much of its largess to lawmakers who control the fate of legislation affecting prescription drugs. The chairman of the Senate Finance Committee, Max Baucus, Democrat of Montana, received \$114,000 in contributions from executives of drug companies and manufacturers of health care products and from industry political action committees through Oct. 21, according to the Center for Responsive Politics. The panel's senior Republican, Senator Charles E. Grassley of Iowa, who is soon to be chairman, took in about \$100,000.

In the House, the chairman of the Energy and Commerce Committee, Representative Billy Tauzin, Republican of Louisiana, received about \$100,000. Representative John D. Dingell of Michigan, the panel's senior Democrat, received a similar amount.

Through Oct. 21, the largest recipient of direct contributions from the pharmaceuticals and health products industry — close to \$200,000 — was Representative Nancy L. Johnson, the Connecticut Republican who is chairwoman of the Ways and Means Subcommittee on Health.

Mrs. Johnson, who won re-election by defeating Representative Jim Maloney, a Democrat, also benefited from almost \$700,000 that United Seniors spent on television advertisements in Hartford in the last two months of the campaign, according to the Wisconsin Advertising Project of the University of Wisconsin in Madison.